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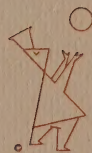
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PIZZA PATIO MANAGEMENT LTD.

# THIRD ANNUAL REPORT

For the year ended April 30, 1973



***Nothing Beatsa Patio Pizza<sup>®</sup>***





## **PIZZA PATIO MANAGEMENT LTD.**

### **Directors**

Jeffrey Barnett  
Peter J. Barnett  
Norman E. Franks

### **Officers**

Jeffrey Barnett, President  
Peter J. Barnett, Secretary  
Norman E. Franks, C.A., Treasurer

### **Head Office**

1170 Bute St., Vancouver 5, B.C.

### **Transfer Agent**

Yorkshire Trust Co.

### **Auditors**

Coopers & Lybrand

### **Bankers**

Canadian Imperial Bank of  
Commerce

### **Annual Meeting**

Friday, August 24, 1973



**Jeffrey Barnett**  
President

## **PRESIDENT'S REPORT TO SHAREHOLDERS**

The Statement of Earnings presented herewith reflects net earnings for twelve months ended April 30, 1973 of \$8,348, compared to a loss of \$14,779 for the corresponding period of 1972.

Gross sales for the year amounted to \$1,403,772 compared to \$1,096,478 for the same period in 1972, reflecting an increase of 28%. Higher rates of wages, food costs and general operating expenses offset against an increase in sales prices December 4, 1972, nevertheless resulted in the increase in net earnings.

In Toronto, two stores slated to open by mid-1974 have been delayed subject to approval by the two

municipalities concerned. In the meantime other locations are being scouted for future Pizza Patio stores.

Two new Pizza Patio restaurants in British Columbia are slated to be opened before the end of 1973. All new restaurants are of the "Pizza Pub" style.

Several new methods of marketing the Pizza Patio concept are being developed and future prospects for the coming year look excellent.

A handwritten signature in dark ink, appearing to read "Jeffrey Barnett". The signature is stylized with a large, looping initial "J" and a long, horizontal stroke extending to the right.





## AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the balance sheet of Pizza Patio Management Ltd. as at April 30, 1973 and the statements of earnings, retained earnings and source and use of working capital for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the company as at April 30, 1973 and the results of its operations and the source and use of its working capital for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

*Coopers & Lybrand*

Chartered Accountants

Vancouver, B.C.  
June 11, 1973

**PIZZA PATIO MANAGEMENT LTD.**

**BALANCE SHEET**

as at April 30, 1973

**ASSETS**

**CURRENT ASSETS**

Cash .....  
Accounts receivable (note 3) .....  
Inventory - at the lower of cost and net realizable value .....  
Prepaid expenses .....

**FIXED ASSETS** - at cost less accumulated depreciation (notes 1 and 4) .....

**OTHER ASSETS** (note 2) .....

**1973**  
\$

62,937

13,020

30,606

27,495

134,058

369,413

73,477

**1972**  
\$

20,617

24,311

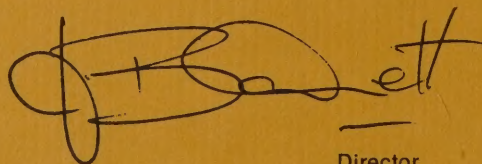
26,286

71,214

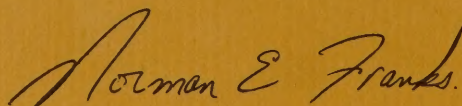
381,196

66,990

Signed on behalf of the Board



Director



Director

576,948

519,400





## LIABILITIES

### CURRENT LIABILITIES

Bank advances (note 3) .....	
Accounts payable and accrued liabilities .....	
Income taxes payable .....	
Current portion of long-term debt .....	

1973  
\$

70,000

105,369

50,756

226,125

115,522

7,185

348,832

1972  
\$

48,148

70,289

1,235

34,596

154,268

138,586

6,778

299,632

LONG-TERM DEBT (note 4) .....

DEFERRED INCOME TAXES .....

## SHAREHOLDERS' EQUITY

### SHARE CAPITAL

Authorized -	
1,000,000 common shares of no par value	
Issued and fully paid -	
650,000 common shares .....	

180,100

180,100

RETAINED EARNINGS .....

48,016

39,668

228,116

219,768

576,948

519,400

**PIZZA PATIO MANAGEMENT LTD.****STATEMENT OF EARNINGS**

For the year ended April 30, 1973

**SALES****COST OF SALES****EXPENSES**

Advertising and promotion

Automobile and delivery

Depreciation and amortization

Other operating and administrative

Rent

Salaries and wages

**OPERATING PROFIT****NON-OPERATING EXPENSES****EARNINGS (LOSS) BEFORE INCOME TAXES AND EXTRAORDINARY ITEM****PROVISION FOR (RECOVERY OF) INCOME TAXES**

Current

Deferred

**EARNINGS BEFORE EXTRAORDINARY ITEM**Elimination of current year's income taxes on application of  
prior year's loss**NET EARNINGS (LOSS) FOR THE YEAR****NET EARNINGS (LOSS) PER SHARE**

Before extraordinary item

After extraordinary item

**STATEMENT OF RETAINED EARNINGS**

For the year ended April 30, 1973

**BALANCE - BEGINNING OF YEAR**

As previously reported

Adjustment of prior year's income taxes (note 6)

As restated

Net earnings (loss) for the year

**BALANCE - END OF YEAR****1973**

\$

1,403,772

355,222

1,048,550

85,109

52,247

57,604

190,596

101,560

552,679

1,039,795

8,755

8,755

1,600

407

2,007

6,748

1,600

8,348

1c

1 1/4 c

**1972**

\$

1,096,478

258,892

837,586

79,309

45,123

47,396

156,381

78,661

402,781

809,651

27,935

43,255

(3,270)

2,729

(541)

(14,779)

(14,779)

(2 1/4 c)

(2 1/4 c)

**1973**

\$

40,903

1,235

39,668

8,348

48,016

**1972**

\$

55,682

1,235

54,447

(14,779)

39,668



**PIZZA PATIO MANAGEMENT LTD.****STATEMENT OF SOURCE AND USE  
OF WORKING CAPITAL**

For the year ended April 30, 1973



	1973	1972
	\$	\$
<b>SOURCE</b>		
Current operations		
Net earnings before non-operating expenses .....	67,325	79,683
Non-operating expenses .....		(43,255)
	<u>67,325</u>	<u>36,428</u>
Long-term debt contracted .....	28,623	97,806
Fixed asset disposals .....	3,755	
	<u>99,703</u>	<u>134,234</u>
<b>USE</b>		
Long-term debt repaid .....	30,073	14,305
Shareholders' advances repaid .....	5,455	9,620
Increase in current portion of long-term debt .....	16,160	16,417
Export market development costs deferred .....	6,685	
Finance charges deferred .....	1,225	
Fixed asset additions .....	49,118	231,539
Adjustment of prior year's income taxes .....		1,235
Investment in Pizza Patio Management (Ontario) Ltd. ....		314
	<u>108,716</u>	<u>273,430</u>
<b>DECREASE IN WORKING CAPITAL</b> .....	9,013	139,196
<b>WORKING CAPITAL (DEFICIENCY) - BEGINNING OF YEAR</b> .....	(83,054)	56,142
<b>WORKING CAPITAL (DEFICIENCY) - END OF YEAR</b> .....	<u>(92,067)</u>	<u>(83,054)</u>
<b>REPRESENTED BY:</b>		
Current assets .....	134,058	71,214
Current liabilities .....	226,125	154,268
<b>WORKING CAPITAL (DEFICIENCY) - END OF YEAR</b> .....	<u>(92,067)</u>	<u>(83,054)</u>

# PIZZA PATIO MANAGEMENT LTD.

## NOTES TO FINANCIAL STATEMENTS

For the year ended April 30, 1973

### 1. FIXED ASSETS

	1973			1972
	Cost \$	Accumulated depreciation and amortization \$	Net \$	Net \$
Automobiles .....	13,933	8,675	5,258	8,148
Furniture and equipment .....	152,651	59,332	93,319	94,043
Leasehold improvements .....	379,973	109,137	270,836	279,005
	<u>546,557</u>	<u>177,144</u>	<u>369,413</u>	<u>381,196</u>

Certain assets are pledged as security for conditional sales agreements, the company's Business Improvement Loan and the company's Industrial Development Bank Loan (note 4).

The company follows the policy of depreciating fixed assets over their useful life and amortizing leasehold improvements over the term of their respective leases.

### 2. OTHER ASSETS

(a) Other assets are as follows:

	1973 \$	1972 \$
Goodwill - at cost .....	65,001	65,001
Export market development - at cost .....	6,685	
Deferred finance charges, less amounts written-off .....	1,217	1,415
Incorporation costs .....	260	260
Investment in Pizza Patio Management (Ontario) Ltd. - at cost .....	314	314
	<u>73,477</u>	<u>66,990</u>

(b) The Company has entered into an agreement with the Canadian Federal Government under their "Program for Export Market Development". As at April 30, 1973, the company has expended a total of \$6,685, a portion of which may be recoverable under this program.

### 3. BANK ADVANCES

Bank advances are as follows:

	1973 \$	1972 \$
Bank overdraft .....		3,148
Bank loan, secured by a general assignment of accounts receivable .....	70,000	45,000
	<u>70,000</u>	<u>48,148</u>

### 4. LONG-TERM DEBT

Long-term debt is as follows:

Industrial Development Bank Loan (I.D.B.), with interest at 11%, repayable by fourteen monthly instalments of \$1,600 plus accrued interest, which commenced April 23, 1972 followed by forty-three monthly instalments of \$3,200 plus accrued interest. Security for the loan is various mortgages by way of sub-leases on retail shops as well as a mortgage on various items of equipment. At April 30, 1973, \$125,000



#### 4. LONG-TERM DEBT (cont'd).

had been drawn under the terms of the loan. The balance of \$35,000 will be drawn before April 30, 1974 and is to be used to open one more new retail pizza restaurant in the Toronto area \_\_\_\_\_

Business Improvement Loan, with interest at 8½%, repayable in monthly instalments of \$417 plus accrued interest, secured by a chattel mortgage over some of the company's equipment \_\_\_\_\_

Due to shareholders, without interest, repayable at \$5,000 per annum \_\_\_\_\_

Note payable to shareholders, resulting from the winding-up of an affiliated company without interest, repayable at \$10,000 per annum. Repayments of this note are to be deferred until the I.D.B. loan has been repaid and consent has been given by the company's bank \_\_\_\_\_

Conditional sales agreements \_\_\_\_\_

Less: Current portion \_\_\_\_\_

1973	1972
\$	\$
104,200	96,206
8,333	13,333
9,357	14,812
40,262	40,262
<u>4,126</u>	<u>8,569</u>
166,278	173,182
<u>50,756</u>	<u>34,596</u>
<u>115,522</u>	<u>138,586</u>

During the year the company paid \$12,960 interest on long-term debt.

#### 5. LOSSES AVAILABLE FOR REDUCTION OF FUTURE YEARS' INCOME FOR TAX PURPOSES

As at April 30, 1973 the company had losses from prior years amounting to \$1,535 which are available to reduce income for tax purposes up to 1977.

#### 6. PRIOR PERIOD ADJUSTMENT

As a result of income tax reassessments applicable to the year ended April 30, 1970, retained earnings has been restated to show a retroactive charge of \$1,235 representing the amount by which income taxes as at April 30, 1970 had been increased.

#### 7. COMMITMENTS

The company has lease commitments for its retail pizza premises and equipment ranging up to ten years with options to renew. The total rental charge for the year ended April 30, 1973 was approximately \$102,000. Minimum annual rentals for the next five fiscal years based on present leases for shops now in operation and under construction are approximately:

	\$
1974	125,000
1975	121,000
1976	120,000
1977	120,000
1978	120,000

#### 8. REMUNERATION TO DIRECTORS AND SENIOR OFFICERS

Remuneration paid to the directors and senior officers of the company, as defined by the British Columbia Companies Act, for the year ended April 30, 1973 amounted to \$69,900 (1972 - \$63,434) for their services as employees of the company.

No directors' fees were paid during the year.



***Nothing Beatsa Patio Pizza®***

## **PIZZA PATIO RESTAURANTS**

### **VANCOUVER, B.C.**

#### **DOWNTOWN:**

West End —

\*1202 Davie Street

Theatre Row —

\*910 Granville Street

English Bay —

\*998 Denman Street

#### **KERRISDALE:**

2295 W. 41st Avenue

#### **SOUTH VANCOUVER:**

5519 Victoria Drive

#### **KITSILANO:**

1935 Cornwall St.

#### **EAST VANCOUVER:**

2647 E. Hastings Street

### **BURNABY, B.C.**

\*4623 Kingsway

### **NORTH VANCOUVER, B.C.**

\*1933 Lonsdale

### **WEST VANCOUVER, B.C.**

\*1428 Marine Drive

### **RICHMOND, B.C.**

\*608 No. 3 Road

### **TORONTO, ONTARIO:**

\*\*3391 Yonge Street

2424 Bloor Street West

\*\*210 Bloor Street West

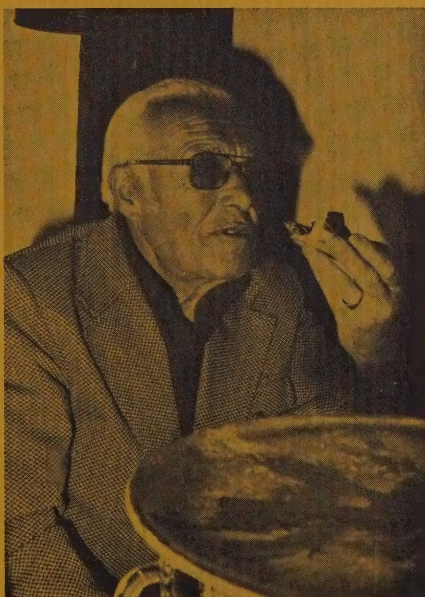
### **UNDER CONSTRUCTION**

Kingsgate Shopping Centre  
Vancouver, B.C.

\*Licensed under the laws of the Liquor Control  
Board of British Columbia.

\*\*Licensed under the laws of the Liquor  
Control Board of Ontario.















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